

Robert L. McGee, Jr.  
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March 31, 2015

Ms. Carlotta Stauffer, Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee FL 32399-0850

Dear Ms. Stauffer:

Enclosed for official filing are an original and fifteen copies of Gulf Power Company's Petition for Approval of a New Standard Offer for Purchase of Firm Capacity and Energy from Renewable Energy Facilities or Small Qualifying Facilities. Also enclosed for approval are an original and fifteen copies of the Revised Tariff Schedule REF-1. This filing is made pursuant to Section 366.91, Florida Statutes, and Rules 25-17.200 through 25-17.310, Florida Administrative Code.

Accompanying the hard copies of the Petition is a CD containing the document in Microsoft Word format as prepared on a Windows based computer.

Sincerely,

Robert L. McGee, Jr.  
Regulatory and Pricing Manager

md

Enclosures

cc w/ encl: Beggs and Lane  
Jeffery A. Stone, Esquire  
Florida Public Service Commission  
Patti Daniel

COM \_\_\_\_\_  
AFD \_\_\_\_\_  
APA \_\_\_\_\_  
ECO 5 \_\_\_\_\_  
ENG 5 \_\_\_\_\_  
GCL 5 \_\_\_\_\_  
IDM \_\_\_\_\_  
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RECEIVED - FPSC  
15 APR - 1 AM 10: 21  
COMMISSION  
CLERK

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Petition of Gulf Power Company  
For Approval of a Standard Offer Contract  
For Purchase of Firm Capacity and Energy  
From Renewable Energy Facilities or Small  
Qualifying Facilities and Approval of Tariff  
Schedule REF-1

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Docket No.:  
Filed: April 1, 2015

**GULF POWER COMPANY'S PETITION FOR APPROVAL  
OF A NEW STANDARD OFFER FOR PURCHASE OF FIRM CAPACITY  
AND ENERGY FROM RENEWABLE ENERGY FACILITIES  
OR SMALL QUALIFYING FACILITIES AND APPROVAL OF  
TARIFF SCHEDULE REF-1**

Gulf Power Company ("Gulf Power," or "the Company"), pursuant to section 366.91, Florida Statutes, and Rules 25-17.200 - 25-17.310, Florida Administrative Code, petitions the Florida Public Service Commission ("the Commission") to approve a Standard Offer Contract for Purchase of Firm Capacity and Energy from Renewable Energy Facilities or Small Qualifying Facilities ("Renewable Standard Offer Contract") and associated revised tariff schedule REF-1. As grounds therefore, the Company says:

1. The name, address, telephone number and facsimile number of the Petitioner are:

Gulf Power Company  
One Energy Place  
Pensacola, Florida 32520-0780  
(850) 444-6530  
(850) 444-6026 (fax)

2. Gulf Power is a public utility subject to the jurisdiction of the Commission under Chapter 366, Florida Statutes.

3. All notices, pleadings and correspondence required to be served on the Petitioner should be directed to:

Jeffrey A. Stone  
Russell A. Badders  
Steven R. Griffin  
Beggs & Lane  
501 Commendencia Street  
Pensacola, Florida 32502  
(850) 432-2451

Robert L. McGee, Jr.  
Regulatory and Pricing Manager  
Gulf Power Company  
One Energy Place  
Pensacola, Florida 32520-0780  
(850) 444-6530  
(850) 444-6026 (fax)

4. On February 22, 2007, the Commission adopted amendments to Rule 25-17.0832, F.A.C. and new Rules 25-17.200 - 25-17.310, F.A.C., relating to renewable generating facilities. The rules require, *inter alia*, that each investor-owned utility file with the Commission, by April 1 of each year, a standard offer contract or contracts for the purchase of firm capacity and energy from renewable generating facilities and small qualifying facilities with a design capacity of 100 kW or less.

5. Rule 25-17.250(1), F.A.C, requires investor-owned utilities to file a separate standard offer contract based on the next avoidable fossil fueled generating unit of each technology type identified in the utility's Ten-Year Site Plan. The rule further provides that "[e]ach investor-owned utility with no planned generating unit identified in its Ten-Year Site Plan shall submit a standard offer based on avoiding or deferring a planned purchase." Rule 25-17.250(1), F.A.C.

6. In Order No. PSC-14-0376-PAA-EQ, the Commission approved Gulf Power Company's Renewable Standard Offer Contract and accompanying rate schedule REF-1 which was filed with the Commission on April 1, 2014, (the "2014 Standard Offer Contract"). As explained in PSC-14-0376-PAA-EQ, and consistent with Gulf Power's 2014 Ten-Year Site Plan, Gulf proposed to use a 349 MW natural gas combustion turbine ("CT") generating facility with a

projected in-service date of June 1, 2023, as the appropriate unit for purposes of calculating energy and capacity payments under the contract. The Commission approved Gulf's proposal.

7. Gulf Power's most recent Ten-Year Site Plan has been revised to designate an 866 MW combustion turbine generating facility, consisting of 4 CTs, with an in-service date of June 1, 2023, as the Company's next planned generating unit. Consequently, Gulf Power has designated this facility as the appropriate facility to serve as its avoided unit for use in connection with the new Renewable Standard Offer Contract. In light of the revision to Gulf Power's Ten-Year Site Plan, Gulf Power is required by Rule 25-17.250(2)(a)3, F.A.C., to petition the Commission for approval of its new Standard Offer Contract.

8. Attached to this Petition as Composite Exhibit "A" are clean copies of Revised Sheets 9.82, 9.85, and 9.103. Attached as to this Petition as Composite Exhibit "B" are copies of the same documents in legislative format. Attached to this Petition as Composite Exhibit "C" are the economic/financial assumptions associated with the CT capacity proposed as the basis for Gulf's new Renewable Standard Offer Contract. The revisions included in Composite Exhibit "A" reflect current economic and financial assumptions for the avoided unit. The proposed revisions conform to all of the Commission's rules governing standard offers and tariffs including Rules 25-17.200 - 25-17.310, F.A.C. The revisions included in Composite Exhibit "A," along with Original Sheets numbered 9.81, 9.83, 9.84, 9.86, 9.87, 9.88, 9.89, 9.90, 9.91, 9.92, 9.93, 9.94, 9.95, 9.96, 9.97, 9.98, 9.99, 9.100, 9.101, 9.102, 9.104, 9.105, 9.106, 9.107, 9.108, 9.109, 9.110, 9.111, 9.112, 9.113, and 9.114, constitute Gulf Power's new Renewable Standard Offer Contract and rate schedule REF-1.

9. According to Rule 25-17.290, F.A.C., "[a]n investor-owned utility shall not impose any imputed debt equivalent adjustments (equity adjustments) to reduce the avoided

costs paid to a renewable generating facility unless the utility has demonstrated the need for the adjustment and obtained the prior approval of the Commission.” Gulf Power continues to believe equity adjustments are necessary and appropriate in some instances. Gulf Power is not seeking approval of an equity adjustment at this time. In the event that Gulf Power determines an equity adjustment is necessary in the future, Gulf will return to the Commission for approval pursuant to Rule 25-17.290.

10. Gulf Power is not aware of any disputed issues of material fact relative to the subject matter of this petition.

**WHEREFORE**, Gulf Power respectfully requests that the Commission grant this Petition for Approval of its Renewable Standard Offer Contract and rate schedule REF-1.

Respectfully submitted this 31st day of March, 2015.



**JEFFREY A. STONE**

Florida Bar No.: 325953

**RUSSELL A. BADDERS**

Florida Bar No.: 007455

**STEVEN R. GRIFFIN**

Florida Bar No.: 0627569

**Beggs & Lane**

P.O. Box 12950

Pensacola, Florida 32591

(850) 432-2451

**Attorneys for Gulf Power Company**

**EXHIBIT A**

**Tariff Sheets**

PAGE	EFFECTIVE DATE
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(Continued from Schedule REF-1, Sheet No. 9.81)

**LIMITATIONS:**

Purchases under this schedule are subject to the Company's "General Standards for Safety and Interconnection of Cogeneration and Small Power Production Facilities to the Electric Utility System" and to FPSC Rules 25-17.080 through 25-17.091, F.A.C., and are limited to those Facilities that:

- A. Beginning upon the date, as prescribed by the FPSC, that a Renewable Standard Offer is deemed available, execute the Company's Renewable Standard Offer Contract for the purchase of firm capacity and energy; and
- B. Commit to commence deliveries of firm capacity and energy no later than the date specified by the Facility's owner or representative, or the anticipated in-service date of the Company's generating facility or purchased power resource ("Avoided Unit or Resource") that is designated herein. Such deliveries will continue for a minimum of ten (10) years from the anticipated in-service date of the Company's Avoided Unit or Resource up to a maximum of the life of the Company's Avoided Unit or Resource.

**DETERMINATION OF FACILITY'S COMMITTED CAPACITY VALUE**

Prior to execution of a Renewable Standard Offer Contract, or negotiated contract, between the Company and a Facility, the Company will determine the Facility's capacity value in relation to the Company's Avoided Unit or Resource during the term of the contract as provided in FPSC Rules 25-17.240 (2), 25-17.250 (1), and 25-17.0832 (3) and (4) F.A.C. The "Committed Capacity" will be used as the basis for capacity payments to be received by the Facility from the Company during the term of the Renewable Standard Offer Contract.

**RATES FOR PURCHASES BY THE COMPANY**

Firm capacity is purchased in accordance with the provisions of paragraph A below at a unit cost, in dollars per kilowatt per month, based on the value of the Avoided Unit or Resource that Gulf has designated below for purposes of the Renewable Standard Offer. The Avoided Unit is currently designated as 866 MWs of Combustion Turbine generation with a June 1, 2023 anticipated in-service date. Energy is purchased at a unit cost, in cents per kilowatt-hour, at the Company's energy rates in accordance with the provisions of paragraph B below.



Section No. IX  
 Eighth Revised Sheet No. 9.85  
 Canceling Seventh Revised Sheet No. 9.85

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(Continued from Schedule REF-1, Sheet No. 9.84)

capacity payments made to the Facility over the term of the contract shall not exceed the cumulative present value of the capacity payments which would have been made to the Facility had such payments been made pursuant to Option 1.

All capacity payments made by the Company prior to the anticipated in-service date of the Company's Avoided Unit or Resource are considered "Early Payments". The owner, owner's representative, or operator of the Facility, as designated by the Company, shall secure its obligation to repay, with interest, the accumulated amount of Early Payments to the extent that the cumulative present value of the capacity payments made to the Facility over the term of the contract exceeds the cumulative present value of the capacity payments which would have been made to the Facility had such payments been made pursuant to Option 1, or to the extent that annual firm capacity payments made to the Facility in any year exceed that year's annual value of deferring the Company's Avoided Unit or Resource in the event the Facility defaults under the terms of its Renewable Standard Offer Contract with the Company. The Company will provide to the Facility monthly summaries of the total outstanding balance of such security obligations. A summary of the types of security instruments which are generally acceptable to the Company is set forth in Paragraph C of the SPECIAL PROVISIONS Section below.

**MONTHLY CAPACITY PAYMENT RATE (MCR)  
 BASED ON GULF'S CURRENTLY SPECIFIED  
 AVOIDED UNIT OR RESOURCE**

<u>June - May</u> <u>Contract Period</u>	<u>Option 1</u> <u>Normal</u> <u>\$/KW-MO</u>	<u>Option 2</u> <u>Early</u> <u>\$/KW-MO</u>	<u>Option 3</u> <u>Levelized</u> <u>\$/KW-MO</u>	<u>Option 4</u> <u>Early Levelized</u> <u>\$/KW-MO</u>
2015 to 2016	0.00	1.75	0.00	2.01
2016 to 2017	0.00	1.80	0.00	2.02
2017 to 2018	0.00	1.84	0.00	2.03
2018 to 2019	0.00	1.89	0.00	2.04
2019 to 2020	0.00	1.94	0.00	2.05
2020 to 2021	0.00	1.99	0.00	2.07
2021 to 2022	0.00	2.04	0.00	2.08
2022 to 2023	0.00	2.09	0.00	2.09
2023 to 2024	4.59	2.14	4.96	2.11
2024 to 2025	4.71	2.20	4.99	2.12
2025 to 2026	4.83	2.25	5.02	2.13
2026 to 2027	4.95	2.31	5.05	2.15
2027 to 2028	5.07	2.37	5.08	2.16
2028 to 2029	5.20	2.43	5.11	2.18
2029 to 2030	5.33	2.49	5.15	2.20
2030 to 2031	5.47	2.55	5.18	2.21
2031 to 2032	5.61	2.61	5.22	2.23
2032 to 2033	5.75	2.68	5.26	2.25

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(Continued from Standard Offer Contract, Sheet No. 9.102)

4.2.2 Actual Committed Capacity. The capacity committed by the Facility (Committed Capacity or CC) for the purposes of this Agreement is \_\_\_\_\_ kilowatts beginning \_\_\_\_\_, \_\_\_\_\_. The Seller is committing this amount of capacity based on its agreement and commitment that this capacity will maintain an Equivalent Availability Factor (EAF) of 95%. The EAF will be based on the economic operation of a combustion turbine generating facility (Avoided Unit) that Gulf has designated as the Avoided Unit for purposes of the Standard Offer. The Seller elects to receive, and the Company agrees to commence calculating, capacity payments in accordance with this Agreement starting with the first billing month following the date specified in this paragraph as the date on which capacity sales under this Agreement will begin.

4.2.3 Capacity Payments. The Seller chooses to receive capacity payments from the Company under Option \_\_\_\_\_ or \_\_\_\_\_ a customized payment stream as described in the Company's Schedule REF-1 of the Company Tariff for Retail Electric Service as it exists at the time this Agreement is properly submitted by the Seller to the Company as tendered acceptance of the Company Standard Offer. If the customized payment option is chosen by the Seller as the preferred capacity payment option, the details underlying the derivation of such payment stream will be described in an exhibit to this Standard Offer Contract.

The Capacity Payments to be made by the Company to the Seller are based upon the Avoided Unit that the Company has designated for purposes of the Standard Offer. The Capacity Payments to the Seller are based on an avoided gas-fired Combustion Turbine generating facility with the following economic assumptions:

Size: 866 MW total	Installed Costs (2023): \$608/kw
Discount Rate: 6.72%	AFUDC Rate: 7.84%
Annual Inflation: 2.50%	K-factor: 1.3436
Annual Capacity Factor: 10.5%	Fixed O & M: \$14.17/kw-yr
Equivalent Availability: 95%	Unit Life: 40 years

**EXHIBIT B**

**Legislative Format**



Section No. IX  
~~Sixth-Seventh~~ Revised Sheet No. 9.82  
Canceling ~~Fifth-Sixth~~ Revised Sheet No. 9.82

<b>PAGE</b> 2 of 16	<b>EFFECTIVE DATE</b> July 10, 2014
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(Continued from Schedule REF-1, Sheet No. 9.81)

### LIMITATIONS:

Purchases under this schedule are subject to the Company's "General Standards for Safety and Interconnection of Cogeneration and Small Power Production Facilities to the Electric Utility System" and to FPSC Rules 25-17.080 through 25-17.091, F.A.C., and are limited to those Facilities that:

- A. Beginning upon the date, as prescribed by the FPSC, that a Renewable Standard Offer is deemed available, execute the Company's Renewable Standard Offer Contract for the purchase of firm capacity and energy; and
- B. Commit to commence deliveries of firm capacity and energy no later than the date specified by the Facility's owner or representative, or the anticipated in-service date of the Company's generating facility or purchased power resource ("Avoided Unit or Resource") that is designated herein. Such deliveries will continue for a minimum of ten (10) years from the anticipated in-service date of the Company's Avoided Unit or Resource up to a maximum of the life of the Company's Avoided Unit or Resource.

### DETERMINATION OF FACILITY'S COMMITTED CAPACITY VALUE

Prior to execution of a Renewable Standard Offer Contract, or negotiated contract, between the Company and a Facility, the Company will determine the Facility's capacity value in relation to the Company's Avoided Unit or Resource during the term of the contract as provided in FPSC Rules 25-17.240 (2), 25-17.250 (1), and 25-17.0832 (3) and (4) F.A.C. The "Committed Capacity" will be used as the basis for capacity payments to be received by the Facility from the Company during the term of the Renewable Standard Offer Contract.

### RATES FOR PURCHASES BY THE COMPANY

Firm capacity is purchased in accordance with the provisions of paragraph A below at a unit cost, in dollars per kilowatt per month, based on the value of the Avoided Unit or Resource that Gulf has designated below for purposes of the Renewable Standard Offer. The Avoided Unit is currently designated as ~~349866~~ MWs of Combustion Turbine generation with a June 1, 2023 anticipated in-service date. Energy is purchased at a unit cost, in cents per kilowatt-hour, at the Company's energy rates in accordance with the provisions of paragraph B below.

ISSUED BY: S. W. Connally, Jr.

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(Continued from Schedule REF-1, Sheet No. 9.84)

capacity payments made to the Facility over the term of the contract shall not exceed the cumulative present value of the capacity payments which would have been made to the Facility had such payments been made pursuant to Option 1.

All capacity payments made by the Company prior to the anticipated in-service date of the Company's Avoided Unit or Resource are considered "Early Payments". The owner, owner's representative, or operator of the Facility, as designated by the Company, shall secure its obligation to repay, with interest, the accumulated amount of Early Payments to the extent that the cumulative present value of the capacity payments made to the Facility over the term of the contract exceeds the cumulative present value of the capacity payments which would have been made to the Facility had such payments been made pursuant to Option 1, or to the extent that annual firm capacity payments made to the Facility in any year exceed that year's annual value of deferring the Company's Avoided Unit or Resource in the event the Facility defaults under the terms of its Renewable Standard Offer Contract with the Company. The Company will provide to the Facility monthly summaries of the total outstanding balance of such security obligations. A summary of the types of security instruments which are generally acceptable to the Company is set forth in Paragraph C of the SPECIAL PROVISIONS Section below.

**MONTHLY CAPACITY PAYMENT RATE (MCR)  
 BASED ON GULF'S CURRENTLY SPECIFIED  
 AVOIDED UNIT OR RESOURCE**

June - May Contract Period	Option 1 Normal \$/KW-MO	Option 2 Early \$/KW-MO	Option 3 Levelized \$/KW-MO	Option 4 Early Levelized \$/KW-MO
<del>2014 to 2015</del>	<del>0.00</del>	<del>2.36</del>	<del>0.00</del>	<del>2.74</del>
2015 to 2016	0.00	2.421.75	0.00	2.752.01
2016 to 2017	0.00	2.481.80	0.00	2.762.02
2017 to 2018	0.00	2.541.84	0.00	2.782.03
2018 to 2019	0.00	2.611.89	0.00	2.792.04
2019 to 2020	0.00	2.671.94	0.00	2.812.05
2020 to 2021	0.00	2.741.99	0.00	2.822.07
2021 to 2022	0.00	2.812.04	0.00	2.842.08
2022 to 2023	0.00	2.882.09	0.00	2.852.09
2023 to 2024	6.754.59	2.952.14	7.314.96	2.872.11
2024 to 2025	6.924.71	3.032.20	7.354.99	2.892.12
2025 to 2026	7.094.83	3.102.25	7.395.02	2.902.13
2026 to 2027	7.274.95	3.182.31	7.435.05	2.922.15
2027 to 2028	7.455.07	3.262.37	7.475.08	2.942.16
2028 to 2029	7.645.20	3.342.43	7.515.11	2.962.18
2029 to 2030	7.845.33	3.432.49	7.555.15	2.982.20
2030 to 2031	8.035.47	3.522.55	7.605.18	2.992.21
2031 to 2032	8.245.61	3.602.61	7.645.22	3.012.23
2032 to 2033	8.455.75	3.702.68	7.695.26	3.042.25



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(Continued from Standard Offer Contract, Sheet No. 9.102)

4.2.2 Actual Committed Capacity. The capacity committed by the Facility (Committed Capacity or CC) for the purposes of this Agreement is \_\_\_\_\_ kilowatts beginning \_\_\_\_\_, \_\_\_\_\_. The Seller is committing this amount of capacity based on its agreement and commitment that this capacity will maintain an Equivalent Availability Factor (EAF) of 95%. The EAF will be based on the economic operation of a combustion turbine generating facility (Avoided Unit) that Gulf has designated as the Avoided Unit for purposes of the Standard Offer. The Seller elects to receive, and the Company agrees to commence calculating, capacity payments in accordance with this Agreement starting with the first billing month following the date specified in this paragraph as the date on which capacity sales under this Agreement will begin.

4.2.3 Capacity Payments. The Seller chooses to receive capacity payments from the Company under Option \_\_\_\_\_ or \_\_\_\_\_ a customized payment stream as described in the Company's Schedule REF-1 of the Company Tariff for Retail Electric Service as it exists at the time this Agreement is properly submitted by the Seller to the Company as tendered acceptance of the Company Standard Offer. If the customized payment option is chosen by the Seller as the preferred capacity payment option, the details underlying the derivation of such payment stream will be described in an exhibit to this Standard Offer Contract.

The Capacity Payments to be made by the Company to the Seller are based upon the Avoided Unit that the Company has designated for purposes of the Standard Offer. The Capacity Payments to the Seller are based on an avoided gas-fired Combustion Turbine generating facility with the following economic assumptions:

Size: <del>349-866</del> MW total	Installed Costs (2023): \$ <del>988608</del> /kw
Discount Rate: <del>6.396.72</del> %	AFUDC Rate: <del>7.337.84</del> %
Annual Inflation: 2.50%	K-factor: <del>1.32851.3436</del>
Annual Capacity Factor: <del>9.510.5</del> %	Fixed O & M: \$ <del>18.0314.17</del> /kw-yr
Equivalent Availability: 95%	Unit Life: 40 years

ECONOMIC / FINANCIAL ASSUMPTIONS  
And K-FACTOR

GULF POWER COMPANY  
RENEWABLE STANDARD OFFER CONTRACT  
ECONOMIC ASSUMPTIONS

Financial Assumptions  
Base Case

AFUDC RATE 7.84 %

CAPITALIZATION RATIOS:

DEBT	<u>50.0</u>	%
PREFERRED	<u>5.0</u>	%
EQUITY	<u>45.0</u>	%

RATE OF RETURN

DEBT	<u>5.80</u>	%
PREFERRED	<u>6.50</u>	%
EQUITY	<u>10.25</u>	%

INCOME TAX RATE:

STATE	<u>5.5</u>	%
FEDERAL	<u>35.0</u>	%
EFFECTIVE	<u>38.575</u>	%

OTHER TAX RATE: Ad Valorem 0.677 %

DISCOUNT RATE: 6.72 %

TAX DEPRECIATION RATE: See adjacent table %

Tax Depreciation Rates

Year	CT
1	5.000%
2	9.500%
3	8.550%
4	7.695%
5	6.926%
6	6.233%
7	5.905%
8	5.905%
9	5.905%
10	5.905%
11	5.905%
12	5.905%
13	5.905%
14	5.904%
15	5.905%
16	2.952%

GULF POWER COMPANY  
RENEWABLE STANDARD OFFER CONTRACT  
UNIT INFORMATION

PLANT TYPE:	F5 Dual-Fuel Simple Cycle Combustion Turbines
NET CAPACITY:	866 MW
BOOK LIFE (Years):	40
IN-SERVICE YEAR:	2023
TOTAL INSTALLED COST ('23 \$/kW):	608
DIRECT CONSTRUCTION COST ('14 \$/kW):	459
AFUDC AMOUNT (\$/kW):	68
ESCALATION (\$/kW):	81
FIXED O&M ('23 \$/kW - Yr):	14.17
VARIABLE O&M ('23 \$/Mwh):	4.87
K FACTOR:	1.3436